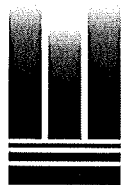


ACCOUNTANT'S AUDIT REPORT

CITY OF CACHE

JUNE 30, 2013

BY



FURRH
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

City of Cache
Cache, Oklahoma
Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Cache
Cache, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cache, Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles standards generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

As discussed in Note 3, the City of Cache, Oklahoma prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position (modified cash basis) of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in the modified cash basis financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 3.

Other Matters

Except as discussed in the following paragraph, we conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules and information presented are not necessary for a fair presentation of the financial statements for the year ended June 30, 2013, but are presented for the purpose of additional analysis. The accompanying supplemental schedules and was subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Management has not recorded capital assets purchased prior to 1999 and the corresponding depreciation of those assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the business type activities is not reasonably determinable.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Cache has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary supplemental information, although not required to be part of the basis financial statements.

Furrh and Associates, PC

FURRH & ASSOCIATES, PC

Certified Public Accountants

December 9, 2013

City of Cache, OK

Statement of Net Assets

(Modified Cash Basis)

June 30, 2013

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 398,411	\$ 360,608	\$ 759,019
Due From General	29,412	0	29,412
Capital Assets	826,543	1,764,309	2,590,852
Accumulated Depreciation	(373,768)	(644,352)	(1,018,120)
Total Assets	<u>\$ 880,598</u>	<u>\$ 1,480,565</u>	<u>\$ 2,361,163</u>
<u>Liabilities</u>			
Due to OWRB Fund	\$ 29,412	\$ 0	\$ 29,412
Notes Payable	0	1,060,278	1,060,278
Total Liabilities	<u>29,412</u>	<u>1,060,278</u>	<u>1,089,690</u>
<u>Net assets</u>			
Invested in Capital, Net of Related Debt	452,775	59,679	512,454
Restricted	0	93,607	93,607
Unrestricted	<u>398,411</u>	<u>267,001</u>	<u>665,412</u>
Total Net Assets	<u>851,186</u>	<u>420,287</u>	<u>1,271,473</u>
Total Liabilities & Net Assets	<u>\$ 880,598</u>	<u>\$ 1,480,565</u>	<u>\$ 2,361,163</u>

Please see accompanying notes to the financial statements.

City of Cache, OK

Statement of Activities

(Modified Cash Basis)

Year Ended June 30, 2013

Functions/Programs Primary Government	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government	
			Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:						
General Government	\$ 441,949	\$ 20,281	\$ 0	\$ 0	\$ 0	\$ (421,668)
Public Safety						
Police	220,086	50,852	0	(169,234)	0	(169,234)
Fire	88,190	80,719	11641	4,170	0	4,170
Streets	58,805	0	0	(58,805)	0	(58,805)
Total Governmental Activities	809,030	151,852	11,641	(645,537)	0	(645,537)
Business-Type Activities:						
Water	292,414	493,504	0	0	201,090	201,090
Garbage	451,364	334,034	0	0	(117,330)	(117,330)
Sewer	70,307	118,657	0	0	48,350	48,350
Miscellaneous	40773	68,812	0	0	28,039	28,039
Total Business-Type Activities	854,858	1,015,007	0	0	160,149	160,149
Total Primary Government	\$ 1,663,888	\$ 1,166,859	\$ 11,641	\$ 0	(645,537)	(485,388)
General Revenue						
Taxes:						
Sales Tax				513,541	0	513,541
Franchise Tax				51,844	0	51,844
Alcoholic Beverage Tax				7,788	0	7,788
Vehicle Tax				5,238	0	5,238
Gasoline Tax				20,071	0	20,071
Cigarette Tax				3,864	0	3,864
Miscellaneous				23,286	0	23,286
Net Transfers				(112,938)	99,384	(13,554)
Total General Revenue				512,694	99,384	612,078
Change in Net Assets				(132,843)	259,533	126,690
Net Assets, June 30, 2012				1,013,441	131,342	1,144,783
Net Assets, June 30, 2013				\$ 880,598	\$ 390,875	\$ 1,271,473

Please see accompanying notes to the financial statements.

City of Cache, OK
Governmental Funds
Balance Sheet
(Modified Cash Basis)
June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 127,593	\$ 270,818	\$ 398,411
Due from General	0	29,412	29,412
	<u>0</u>	<u>29,412</u>	<u>29,412</u>
Total Assets	<u>\$ 127,593</u>	<u>\$ 300,230</u>	<u>\$ 427,823</u>
<u>Liabilities and Fund Balances</u>			
Due to OWRB Fund	\$ 29,412	\$ 0	\$ 29,412
	<u>29,412</u>	<u>0</u>	<u>29,412</u>
Total Liabilities	<u>29,412</u>	<u>0</u>	<u>29,412</u>
Fund Balances			
Unrestricted	98,181	300,230	398,411
	<u>98,181</u>	<u>300,230</u>	<u>398,411</u>
Total Liabilities and Fund Balances	<u>\$ 127,593</u>	<u>\$ 300,230</u>	<u>\$ 427,823</u>

Reconciliation to Statement of Net Assets

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital Assets used in governmental activities of
\$826,543 Net of Accumulated Depreciation of
\$373,768 are not financial resources and, therefore,
are not reported in the funds.

452,775

Net Assets of Governmental Activities

\$ 851,186

Please see accompanying notes to the financial statements.

City of Cache, OK
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Year Ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenue</u>			
Taxes	\$ 380,733	\$ 221,613	\$ 602,346
Fire Service	80,719	0	80,719
Police Revenue	46,045	0	46,045
Miscellaneous	18,802	8	18,810
Building Permits	15,306	0	15,306
Grants	11,641	0	11,641
Pound Revenue	4,975	0	4,975
Donations	10	4,474	4,484
Penalty Revenue	0	4,807	4,807
	<hr/>	<hr/>	<hr/>
Total Revenue	558,231	230,902	789,133
<u>Expenditures</u>			
General Government:			
General Government	325,505	0	325,505
Public Safety:			
Police	214,334	5,758	220,092
Fire	88,190	0	88,190
Street and Public Works:			
Streets	0	58,805	58,805
Culture and Recreation:			
Parks	0	3,500	3,500
	<hr/>	<hr/>	<hr/>
Total Expenditures	628,029	68,063	696,092
<u>Revenue Over (Under) Expenditures</u>	(69,798)	162,839	93,041
<u>Other Financing Sources (Uses)</u>			
Transfers In/(Out)	4,422	(117,360)	(112,938)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	4,422	(117,360)	(112,938)
<u>Net Changes in Fund Balance</u>	(65,376)	45,479	(19,897)
<u>Fund Balance, June 30, 2012</u>	161,824	254,751	416,575
	<hr/>	<hr/>	<hr/>
<u>Fund Balance, June 30, 2013</u>	\$ 96,448	\$ 300,230	\$ 396,678
	<hr/>	<hr/>	<hr/>

Please see accompanying notes to financial statements.

City of Cache, OK
Cache Public Works Authority
Enterprise Fund
Statement of Net Assets
(Modified Cash Basis)
Year Ended June 30, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 360,608	
Total Current Assets		\$ 360,608

Noncurrent Assets:

Capital Assets	1,755,250	
Land	9,059	
Accumulated Depreciation	<u>(644,352)</u>	
Total Noncurrent Assets		<u>1,119,957</u>
Total Assets		<u><u>\$ 1,480,565</u></u>

LIABILITIES

Current Liabilities

Notes Payable- Current Portion	\$ 66,667	
Total Current Liabilities		66,667

Noncurrent Liabilities

Notes Payable- Long-Term Portion		<u>993,611</u>
Total Liabilities		1,060,278

NET ASSETS

Invested in Capital Assets, Net of Related Debt	59,679	
Restricted	93,607	
Unrestricted	<u>267,001</u>	
Total Net Assets		<u>420,287</u>
Total Net Assets and Liabilities		<u><u>\$ 1,480,565</u></u>

Please see accompanying notes to the financial statements.

City of Cache, OK
Cache Public Works Authority
Enterprise Fund
Statement of Revenue, Expense, and Changes in Fund Net Assets
(Modified Cash Basis)
Year Ended June 30, 2013

Operating Revenue

Water Revenue	\$ 493,504	
Garbage Revenue	334,034	
Sewer Revenue	118,657	
Miscellaneous Income	36,747	
Late Charges and Misc Penalties	32,065	
Total Operating Revenue	<u>1,015,007</u>	\$ 1,015,007

Operating Expense

Garbage Service Expense	253,440	
Payroll Expense	196,571	
Operating Supplies	75,112	
Depreciation	68,683	
Insurance	67,642	
Utilities	54,967	
Interest Expense	45,050	
Repairs & Maintenance	21,714	
Legal & Auditing	20,323	
Office Supplies and Expense	18,300	
Automobile Expense	17,398	
Equipment Rental	15,658	
Total Operating Expense	<u>854,858</u>	<u>854,858</u>

Net Operating Income (Loss) 160,149

Nonoperating Revenue (Expense)

Increase/(Decrease) in Meter Deposits	(13,554)	
Transfers In (Out)	112,938	
Net Nonoperating Revenue (Expense)	<u>99,384</u>	<u>99,384</u>

Net Revenue (Loss) 259,533

Total Net Assets, June 30, 2012 160,754

Total Net Assets, June 30, 2013 \$ 420,287

Please see accompanying notes to the financial statements.

City of Cache, OK
Cache Public Works Authority
Enterprise Fund
Statement of Cash Flows
(Modified Cash Basis)
Year Ended June 30, 2013

Cash Flows from Operating Activities

Receipts from Customers	\$ 978,260
Miscellaneous Revenue	36,747
Payments to Suppliers	(589,604)
Payments to Employees	<u>(196,571)</u>
Net Cash Provided by Operating Activities	228,832

Cash Flows from Noncapital Financing Activities

Net Transfers	<u>20,636</u>
Net Cash Provided (Used) by Noncapital Financing Activities	20,636

Cash Flows from Capital and Related Financing Activities

Decrease in Notes Payable	<u>(71,583)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(71,583)

Cash Flows from Investing Activities

Decrease in Meter Deposits	(13,554)
Purchased Fixed Assets	<u>(54,902)</u>
Net Cash Provided by Investing Activities	<u>(68,456)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 109,429

Cash and Cash Equivalents - June 30, 2012 251,179

Cash and Cash Equivalents - June 30, 2013 \$ 360,608

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	\$ 160,149
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities	
Depreciation Expense	<u>68,683</u>
Net Cash Provided by Operating Activities	<u><u>\$ 228,832</u></u>

Please see accompanying notes to the financial statements.

City of Cache, Oklahoma
Notes to Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The accounting and reporting policies of the City of Cache, Oklahoma relating to the funds included in the financial statements conforms to generally accepted accounting principles of state and local governments, except as noted below. The following represents the more significant accounting and reporting policies and practices of the City:

The City of Cache, for financial reporting purposes, includes funds and account groups over which the governing board exercises oversight authority.

The Cache Public Works Authority is a public trust created under authority of and pursuant to the provisions of 60 O.S. Sections 177-180.3, for the use and benefit of the City of Cache, Oklahoma. The Authority leases the existing water and sewer lines, wells and storage facilities of the City and receives the revenues from their use. The Authority is charged with the responsibility of maintaining the property as needed, although title to the property is retained by the City. The lease is for a period of fifty years.

The Cache Economic Development Authority and the Cache Educational Facility Authority are public trusts that will issue separate financial statements for the year ended June 30, 2013.

Note 2 - Fund Accounting

The accounts of the City are organized on the basis of funds and a group of accounts, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. The various funds are grouped by type in the financial statements in this report, as follows:

1. Governmental Fund Types

(a) General Fund

The General Fund is the principal fund of the City which accounts for all financial transactions not properly accounted for in other funds.

(b) Special Revenue Funds

Special Revenue Funds are used to account for the revenues derived from specific taxes and other designated revenue sources.

City of Cache, Oklahoma
Notes to Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

The City's current Special Revenue Funds include:

Court Bond Fund
Community Center Fund
K-9 Fund
Penalty Fund
Park & Recreation
Street & Alley Fund
Crime Prevention

2. Proprietary Fund Types

(a) Enterprise Fund

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(b) Fiduciary Funds

Fiduciary funds are trust or agency funds used to account for assets held by the City in a trustee capacity or as an agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Note 3 - Basis of Accounting

The modified cash basis of accounting is followed. Revenues are recorded when received rather than when earned. Expenditures are recorded when paid, however, outstanding encumbrances, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation.

This method accounting is a comprehensive basis of accounting which differs from the method required under generally accepted accounting principles. Generally accepted accounting principles for cities and towns require that the modified accrual basis of accounting be followed.

Note 4 - Budget

The City's budget represents appropriations originally authorized and any subsequent revisions that were officially adopted during the fiscal year. The City's budget is also prepared under the modified cash basis of accounting. In accordance with Oklahoma law, all remaining unexpended appropriations lapse at year end.

City of Cache, Oklahoma
Notes to Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 5 - Deposits, Investments, and Collateral

The City is statutorily limited to investing public funds in insured checking accounts, certificates of deposit, insured savings accounts, savings certificates and U.S. or Oklahoma government obligations. The City is also required to secure collateral for invested funds in excess of amounts insured by the Federal Deposit Insurance Corporation or Federal Savings & Loan Insurance Corporation. Acceptable collateral is primarily limited to federal, state and local government obligations.

Note 6 - Fixed Assets

The City did not maintain a detailed fixed asset ledger prior to July 1999; therefore, only assets purchased after this date are included in the financial statements. Assets acquired since July 1999 are recorded at cost.

Changes in fixed assets during the year ended June 30, 2013, were as follows:

	Fixed Assets	Accumulated Depreciation
Balance, July 1, 2012	\$ 755,610	\$ 317,608
Additions	70,933	56,160
Total	826,543	373,768
Disposals	0	0
Balance, June 30, 2013	<u>\$ 826,543</u>	<u>\$ 373,768</u>

The estimated useful lives by type of asset are as follows:

Buildings and Improvements	40 years
Land Improvements	20 years
Machinery and Equipment	20 years
Furniture and Fixtures	10 years

The Authority did not maintain a detailed fixed asset ledger prior to July 1995; therefore, only assets purchased after this date are included in the financial statements. Assets acquired since July 1995 have been recorded at cost.

City of Cache, Oklahoma
Notes to Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Changes in fixed assets of the Enterprise Fund during the year ended June 30, 2013, were as follows:

	Fixed Assets	Accumulated Depreciation
Balance, July 1, 2012	\$ 1,709,406	\$ 575,669
Additions	54,903	68,683
Total	1,764,309	644,352
Disposals	0	0
Balance, June 30, 2013	<u>\$ 1,764,309</u>	<u>\$ 644,352</u>

The estimated useful lives by type of asset are as follows:

Buildings and Improvements	40 years
Water and Sewer Improvements	20 years
Machinery and Equipment	5 years

Depreciation for the current year was \$68,683, which was charged to current operations.

Note 7 - Compensated Absences

Under personnel policies, employees are granted vacation leave in varying amounts. The City records vacation leave expenditures only at the time such leave is actually paid.

Note 8 - Pension

The City established a Defined Contribution Plan to be known as the City of Cache Plan (the Plan) in the form of the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan. The Plan started on May 1, 2009. The Plan requires all participating employees to contribute 3% of their wages and the Town contributes 3% of the employee's wages. For the years ended June 30, 2012 and June 30, 2013 the following contributions were made:

For Year Ending June	Employee	Employer	Total
2013	\$ 14,312	\$ 11,875	\$ 26,187
2012	14,722	12,239	26,961

City of Cache, Oklahoma
Notes to Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

All firefighters participate in the Statewide Oklahoma Firefighter's Pension and Retirement System. The City contributes to this plan for each firefighter in accordance with Oklahoma Statutes. During the year ended June 30, 2013, the City contributed \$450.

Note 9 - Commitments and Contingent Liabilities

The financial statements do not include any provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, cities and towns generally establish a sinking fund to satisfy legal judgments rendered against them. Tax revenues are then specifically assessed for payment of these claims which have been reduced to judgment. Such claims are generally paid through these special tax assessments over a three (3) year period.

Note 10 - Long-Term Debt

The following is a summary of the long-term debt transactions of the Public Works Authority for the year ended June 30, 2013.

Balance as of 06/30/2012	\$ 1,126,945
Principal Payments	(66,667)
New Loans	
Balance as of 06/30/2013	<u>\$ 1,060,278</u>

A brief description of the outstanding general long-term debt at June 30, 2013, is set forth below:

	Date	Original Amount	Interest Rate	Balance as of 6/30/2013
Oklahoma Water Resource Board	03-15-2010	\$2,000,000	4.00%	\$ 1,060,278
Total				<u>\$ 1,060,278</u>

City of Cache, Oklahoma
Notes to Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

The annual debt service requirements for retirement of principal are as follows:

For Year Ending June 30th		
2014	\$	66,667
2015		55,517
2016		57,477
2017		59,506
2018		50,750
2019+		770,361
	\$	<u>1,060,278</u>

Note 11 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Also, all personnel responsible for custody of cash were bonded during the fiscal year.

Note 12 - Insurance and Bond Coverage of Contingencies

The City carries the following insurance coverage as protection against possible loss contingencies:

- General Liability
- Public Officials Liability
- Law Enforcement Liability
- Commercial Auto Liability
- Commercial Property
- Commercial Inland Marine
- Commercial Crime & Excess Liability
- Workman's Compensation



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
City of Cache
Cache, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cache, Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2013. The financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above which are described in the

accompanying schedule of findings and responses: 11-1 and 11-2. We also identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting: 12-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Cache's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FURRH & ASSOCIATES, PC
Certified Public Accountants
December 9, 2013

City of Cache, OK
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2013

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Sales Tax	\$ 300,000	\$ 297,166	\$ 2,834
Fire Service Revenue	80,000	80,719	(719)
Franchise Tax	55,000	51,844	3,156
Police Revenue	50,000	46,045	3,955
Building Permits	15,000	15,306	(306)
Gas Excise Tax	15,000	20,071	(5,071)
Grant Revenue	12,000	11,641	359
Alcohol Beverage Tax	8,000	7,788	212
Miscellaneous Revenue	5,000	18,802	(13,802)
Donations	5,000	10	4,990
Cigarette Tax	5,000	3,864	1,136
Pound Revenue	3,000	4,975	(1,975)
Total Revenue	553,000	558,231	(5,231)
<u>Expenditures</u>			
<u>General Government</u>			
Personal Services	160,000	157,224	2,776
Maintenance and Operations	149,824	111,948	37,876
Capital Outlay	50,000	56,333	(6,333)
Total General Government	359,824	325,505	34,319
<u>Police Department</u>			
Personal Services	150,000	143,369	6,631
Maintenance and Operations	95,000	56,365	38,635
Capital Outlay	15,000	14,600	400
Total Police Department	260,000	214,334	45,666
<u>Fire Department</u>			
Personal Services	5,000	450	4,550
Maintenance and Operations	75,000	73,578	1,422
Capital Outlay	15,000	14,162	838
Total Fire Department	95,000	88,190	6,810
Total Expenditures	714,824	628,029	86,795
<u>Revenue Over (Under) Expenditures</u>	(161,824)	(69,798)	(92,026)

Please see accompanying notes to the financial statements.

City of Cache, OK
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2013

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Other Financing Sources (Uses)</u>			
Transfer In	0	4,422	(4,422)
Transfer Out	<u>0</u>	<u>0</u>	<u>(92,026)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>4,422</u>	<u>(96,448)</u>
<u>Revenue and Other Financing Sources</u>			
<u>Over (Under) Expenditures & Other Uses</u>	(161,824)	(65,376)	(188,474)
<u>Fund Balance, June 30, 2012</u>	<u>161,824</u>	<u>161,824</u>	<u>(188,474)</u>
<u>Fund Balance, June 30, 2013</u>	<u>\$ 0</u>	<u>\$ 96,448</u>	<u>\$ (376,948)</u>

Please see accompanying notes to the financial statements.

City of Cache, OK
Notes to Required Supplemental Information
Year Ended June 30, 2013

Note 1 - Notes to Required Supplemental Information

The City's annual operating budget represents appropriations as authorized by the Governing Board in accordance with the provisions of the Oklahoma statutes.

The City operates under the guidelines of the "Municipal Budget Act" which allows the Governing Board to prepare its budgets based upon its estimated revenue. In addition, revisions may be made to the budget throughout the year as authorized by the Governing Board. The legal level of control of the budget is the expenditure category. The expenditure categories required by the applicable state statutes are:

1. Personal Services
2. Maintenance and Operations
3. Capital Outlays

It is the City's policy that all appropriations lapse at the end of the fiscal year.

The City prepares an annual operating budget for its General Fund. The operating budgets of the grants cover the period designated in the grant documents. The City prepares its annual operating budget on the modified cash basis of accounting, the same basis used to account for actual revenues and expenditures.

City of Cache, OK
Nonmajor Governmental Funds
Balance Sheet
(Modified Cash Basis)
June 30, 2013

	Court Bond Fund	Community Center	K-9	Penalty	Park & Recreation	Street & Alley	Crime Prevention	OWRB Fund	Total Nonmajor Governmental Funds
<u>Assets</u>									
Cash in Bank	\$ 132	\$ 0	\$ 4,869	\$ 2,628	\$ 2,736	\$ 47,597	\$ 1,800	\$ 211,056	\$ 270,818
Due from Other Funds	0	0	0	0	0	0	0	29,412	29,412
Total Assets	\$ 132	\$ 0	\$ 4,869	\$ 2,628	\$ 2,736	\$ 47,597	\$ 1,800	\$ 240,468	\$ 300,230
<u>Liabilities</u>									
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fund Equity</u>									
Fund Balance:									
Unrestricted	132	0	4,869	2,628	2,736	47,597	1,800	240,468	300,230
Total Liabilities and Fund Equity	\$ 132	\$ 0	\$ 4,869	\$ 2,628	\$ 2,736	\$ 47,597	\$ 1,800	\$ 240,468	\$ 300,230

Please see accompanying notes to the financial statements.

City of Cache, OK

Nonmajor Governmental Funds

Schedule of Revenue, Expenditures, and Changes in Fund Balance (Modified Cash Basis) Year Ended June 30, 2013

	Court Bond Fund	Community Center	K-9	Penalty	Park & Recreation	Street & Alley	Crime Prevention	OWRB Fund	Total Nonmajor Governmental Funds
<u>Revenue</u>									
Use Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,006	\$ 0	\$ 194,369	\$ 216,375
Vehicle Tax	0	0	0	0	0	5,238	0	0	5,238
Interest	2	0	0	1	0	0	0	5	8
Miscellaneous	0	90	0	0	3,520	864	0	0	4,474
Penalty Revenue	0	0	0	4,807	0	0	0	0	4,807
Total Revenue	2	90	0	4,808	3,520	28,108	0	194,374	230,902
<u>Expenditures</u>									
Maintenance & Operations	6	0	606	5,146	0	25,974	0	0	31,732
Other Expenses	0	0	0	0	3,500	0	0	0	3,500
Capital Outlay	0	0	0	0	0	32,831	0	0	32,831
Total Expenditures	6	0	606	5,146	3,500	58,805	0	0	68,063
Revenue Over (Under) Expenditures	(4)	90	(606)	(338)	20	(30,697)	0	194,374	162,839
Transfers to/(from) Other funds	(4,000)	(422)	0	0	0	0	0	(112,938)	(117,360)
Fund Balance, June 30, 2012	4,136	332	5,475	2,966	2,716	78,294	1,800	159,032	254,751
Fund Balance, June 30, 2013	\$ 132	\$ 0	\$ 4,869	\$ 2,628	\$ 2,736	\$ 47,597	\$ 1,800	\$ 240,468	\$ 300,230

Please see accompanying notes to the financial statements.

City of Cache, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2013

	Court Bond Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Contributions	\$ 0	\$ 0	\$ 0
Interest	10	2	8
Total Revenue	10	2	8
<u>Expenditures</u>			
Interfund Transfers	0	4,000	(4,000)
Other Services and Charges	4,146	6	4,140
Total Expenditures	4,146	4,006	140
<u>Revenue Over (Under) Expenditures</u>	(4,136)	(4,004)	(132)
<u>Fund Balance, June 30, 2012</u>	4,136	4,136	0
<u>Fund Balance, June 30, 2013</u>	<u>\$ 0</u>	<u>\$ 132</u>	<u>\$ (132)</u>

Please see accompanying notes to the financial statements.

City of Cache, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2013

	Community Center Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Donation	\$ 0	\$ 90	\$ (90)
Miscellaneous	0	0	0
Total Revenue	0	90	(90)
<u>Expenditures</u>			
Interfund Transfers	332	422	(90)
<u>Revenue Over (Under) Expenditures</u>	(332)	(332)	0
<u>Fund Balance, June 30, 2012</u>	332	332	0
<u>Fund Balance, June 30, 2013</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Please see accompanying notes to the financial statements.

City of Cache, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2013

	K-9 Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Contributions	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>			
Maintenance & Operations	5,475	606	4,869
Capital Outlay	0	0	0
Total Expenditures	5,475	606	4,869
<u>Revenue Over (Under) Expenditures</u>	(5,475)	(606)	(6,081)
<u>Fund Balance, June 30, 2012</u>	5,475	5,475	0
<u>Fund Balance, June 30, 2013</u>	<u>\$ 0</u>	<u>\$ 4,869</u>	<u>\$ (6,081)</u>

Please see accompanying notes to the financial statements.

City of Cache, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2013

	Penalty Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Penalty Revenue	\$ 3,000	\$ 4,807	\$ (1,807)
Interest Income	1	1	0
Total Revenue	3,001	4,808	(1,807)
<u>Expenditures</u>			
Maintenance & Operations	5,967	5,146	821
Total Expenditures	5,967	5,146	821
<u>Revenue Over (Under) Expenditures</u>	(2,966)	(338)	(2,628)
<u>Fund Balance, June 30, 2012</u>	2,966	2,966	0
<u>Fund Balance, June 30, 2013</u>	<u>\$ 0</u>	<u>\$ 2,628</u>	<u>\$ (2,628)</u>

Please see accompanying notes to the financial statements.

City of Cache, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2013

	Park & Recreation Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Contributions	\$ 0	\$ 3,520	\$ (3,520)
Miscellaneous	0	0	0
Total Revenue	0	3,520	(3,520)
<u>Expenditures</u>			
Other Expenses	2,716	3,500	(784)
<u>Revenue Over (Under) Expenditures</u>	(2,716)	20	(2,736)
Transfers to/(from) other funds	0	0	0
<u>Fund Balance, June 30, 2012</u>	2,716	2,716	0
<u>Fund Balance, June 30, 2013</u>	<u>\$ 0</u>	<u>\$ 2,736</u>	<u>\$ (2,736)</u>

Please see accompanying notes to the financial statements.

City of Cache, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2013

	Street & Alley Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Motor Vehicle Tax	\$ 7,000	\$ 5,238	\$ 1,762
Use Tax	25,000	22,006	2,994
Miscellaneous Revenue	200	864	(664)
Total Revenue	32,200	28,108	4,092
<u>Expenditures</u>			
Capital Outlay	75,000	32,831	42,169
Personnel Services	2,500	0	2,500
Maintenance & Operations	52,120	25,974	26,146
Total Expenditures	129,620	58,805	70,815
<u>Revenue Over (Under) Expenditures</u>	(97,420)	(30,697)	(66,723)
Transfers to/(from) other funds	0	(19,126)	19,126
<u>Fund Balance, June 30, 2012</u>	97,420	97,420	0
<u>Fund Balance, June 30, 2013</u>	<u>\$ 0</u>	<u>\$ 47,597</u>	<u>\$ (47,597)</u>

Please see accompanying notes to the financial statements.

City of Cache, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2013

	Crime Prevention Fund		
	Original /		(Over)
	Final Budget	Actual	Under
			Budget
<u>Revenue</u>			
Contributions	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>			
Maintenance & Operations	1,800	0	1,800
<u>Revenue Over (Under) Expenditures</u>	(1,800)	0	(1,800)
<u>Fund Balance, June 30, 2012</u>	1,800	1,800	0
<u>Fund Balance, June 30, 2013</u>	\$ 0	\$ 1,800	\$ (1,800)

Please see accompanying notes to the financial statements.

City of Cache, OK
14693 CENA 12 Grant
Revenue and Expenditures Compared with Budget
(Modified Cash Basis)
Year Ended June 30, 2013

	<u>Budget</u>	<u>Current Year</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Grant Funds	\$ 8,015	\$ 0	\$ 8,015
Total Revenues	8,015	0	8,015
<u>Expenditures</u>			
Utilities for Center	2,850	0	2,850
Repairs	5,165	0	5,165
Total Expenditures	8,015	0	8,015
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Please see accompanying notes to the financial statements.

CITY OF CACHE, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013

Reportable Conditions of Internal Control, Compliance and Other Matters

- 11-1. Criteria – A good system of internal control provides for a proper segregation of the accounting functions.

Condition – The City has a small number of employees that perform the duties that would normally be divided among a large number of employees.

Cause and Effect – A lack of internal control surrounding the accounting functions could result in more than a low risk that errors or irregularities may occur and not be detected within a timely period.

Recommendation – It may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities.

Management response – Management agrees.

- 11-2. Criteria – Procedures to track additions and deletions of capital assets should be maintained.

Condition – The City does not have a system to track additions and deletions of capital assets.

Cause and Effect – A lack of policy and procedures to identify, track, and depreciate capital assets could potentially over/understate the assets and expenses of the City.

Recommendation – Implement procedures to identify and track the capital assets according to their capitalization policy.

Management response – Management agrees

- 13-1. Criteria – A good system of tracking miscellaneous governmental revenues provides for opportunities to increase revenue.

Condition – The City has no method of tracking animal control or building permit revenues.

Cause and Effect – Due to the lack of a proper monitoring, the City cannot track if employees are properly charging for services.

Recommendation – Maintain a prenumbered receipt book that is cross reference with the daily deposits.

Management response – Management agrees